

Transportation Issues in Landlocked Countries

1. A land locked country is defined in the *UN Convention on the Law of the Sea* as a state that has no sea-coast. They are located in the interior of continents, hundreds or even thousands of kilometers away from maritime ports.
2. The UN General Assembly in its resolution 1028 (Xi) adopted on 20th February 1957 invited Government of member states “to give full recognition to the needs of landlocked member states in the matter of transit and trade”.
3. In 1957, there were only 5 independent landlocked countries; Afghanistan, Bolivia, Laos, Nepal and Paraguay. In 2001, 44 years later, there were 30 landlocked countries which together account to 7% of the population of all developing countries (Afghanistan, Armenia, Azerbaijan, Bhutan, Bolivia, Botswana, Burkina, Faso, Burundi, Central African Republic, Chad, Ethiopia, Kazakhstan, Laos, Lesotho, Macedonia, Malawi, Mali, Mongolia, Nepal, Niger, Paraguay, Rwanda, Swaziland, Tajikistan, Turkmenistan, Uganda, Uzbekistan, Zambia, Zimbabwe).
4. The first UN General Assembly on transit development for landlocked countries was opened in 2001. It was called the first “International Ministerial Conference on Transit Transport Cooperation 2001, Resolution 56/180”.

5. Why is the issue of transport and transit in landlocked countries become very important?

- It hampers trading, economic development, state prosperity, export and import.
- Sense of remoteness and isolation.
- Distance from market.
- Disbenefits from the economies of scale in production and consumption.

6. Kazakhstan, Kyrgyzstan, and Uzbekistan are located at least 3,500 km from the nearest seaport. Seven other countries are located more than 1,500 km from the seaport. 29 countries except for Malawi, Paraguay and Swaziland are located more than 1,000 km from the nearest seaport.

| Country | Population | Pop Density /km | GDP/capita | Distance from sea km | % paved road | Railway line km | Major Export /Import country |
|--------------------------|------------|-----------------|------------|----------------------|--------------|-----------------|------------------------------|
| Afghanistan | 28.6 | 44 | 184 | 1960 | 13 | n | EU/EU |
| Armenia | 3.0 | 102 | 1195 | 693 | 97 | 711 | EU/EU |
| Azerbaijan | 8.4 | 96 | 991 | 870 | 92 | 2112 | EU/EU |
| Bhutan | 2.1 | 45 | 368 | 775 | n | n | n |
| Bolivia | 9 | 8 | 935 | 414 | 6.6 | 3698 | Brazil/Brazil |
| Botswana | 1.8 | 3 | 4771 | 905 | 55 | 888 | n |
| Burkina faso | 12.8 | 47 | 348 | 1154 | 16 | 622 | EU/EU |
| Central African Republic | 4 | 6 | 330 | 1518 | 2.7 | n | EU/EU |
| Chad | 9.4 | 7 | 426 | 1669 | .8 | n | EU/EU |
| Ethiopia | 75.6 | 68 | 106 | 781 | 12 | 681 | EU/Saudi Arabia |
| Kazakhstan | 14.8 | 5 | 2746 | 3750 | 94 | 13597 | EU/Russia |
| Kyrgyzstan | 5.2 | 26 | 416 | 3600 | 91 | 417 | EU/Russia |
| Laos | 5.8 | 24 | 419 | 620 | 44 | n | n |
| Lesotho | 1.8 | 59 | 764 | 575 | 18 | n | n |
| Macedonia | 2.0 | 79 | 2593 | 8684 | 64 | 699 | EU/EU |
| Malawi | 12.6 | 106 | 165 | 803 | 19 | 797 | AU/S. Africa |
| Mali | 13.1 | 11 | 377 | 1225 | 12 | 733 | EU/S. Africa |

| | | | | | | | |
|--------------|------|-----|------|------|-----|------|----------------|
| Moldova | 4.2 | 125 | 615 | 170 | 86 | 1120 | Russia/EU |
| Mongolia | 2.6 | 2 | 486 | 1693 | 3.5 | 1810 | USA/Russia |
| Nepal | 26.6 | 181 | 245 | 1160 | 31 | 59 | India/India |
| Niger | 13.5 | 11 | 199 | 1057 | 8 | n | EU/EU |
| Paraguay | 6 | 15 | 1168 | 1022 | 51 | 441 | Brazil/Brazil |
| Rwanda | 8.9 | 337 | 205 | 1867 | 8 | n | Indonesia/EU |
| Swaziland | 1 | 60 | 2231 | 193 | N | 301 | n |
| Tajikistan | 6.4 | 45 | 297 | 3100 | N | 617 | n |
| Turkmenistan | 4.8 | 10 | 2596 | 1700 | 81 | 2523 | Ukraine/Russia |
| Uganda | 27.8 | 115 | 280 | 1187 | 6.7 | n | EU/Kenya |
| Uzbekistan | 26.2 | 59 | 450 | 2950 | 87 | n | Russia/Russia |
| Zambia | 11.5 | 15 | 463 | 1975 | 22 | 1273 | EU/S. Africa |
| Zimbabwe | 12.9 | 33 | 351 | 464 | 47 | n | EU/S. Africa |

7. These are the distances lorries has to travel either to export or import goods. **What are the consequences of this long international travel?**

- Cost of inland transport become very high: gas, wear and tear, rental of trucks, insurance, staffs salary, etc.

Freight cost and Insurance for Export Comparison

| | |
|----------------------|--------|
| LLDC | ➤ 13% |
| Developing countries | ➤ 8% |
| Developed countries | ➤ 5.8% |

- Owing to high transport and insurance cost, trade cost varies from 5% for Laos and Swaziland to over 50% for Chad and Malawi.
- Delivery time is long as it involves many unavoidable stages of delivery, i.e., industry, storage, transport, storage at seaport, shipment, storage, transport, storage and market.
- Cost of storages, warehousing rentals, insurance, breakages, delays at ports, waiting time are shoots up the cost of goods.
- Restrictions on the nature of goods for export and imports, confining to low value bulky commodities, and excluding perishable items, like cut flowers and fresh produce.
- Products are seldom delivered on time.
- All the above lead to high cost of goods that are imported and those that are exported. Consumers at both ends have to pay more.
- High cost of doing business for these countries are also due to:
 - Piracy, robberies along the shipment routes,
 - Corruptions,
 - Delay.

Characteristics of Landlocked Countries

1. Narrow economic base and poor export performance.

70% of aggregate exports from the 30 LLDCs comprised of minerals, agricultural commodities, and tourism services. They depend on a small number of export commodities. Half of the LLDC rely on 1 commodity for at least 50% of their total export value. 2 commodities account for at least 75% of their export earning, and 3 commodities yield at least 80% of their export earnings.

2. Economic data for LLDC shows a negative correlation between transit cost and export, i.e., a cost increase, export decreases. High export cost means reduction in the potential for export led economic growth, reduction in the potential gain from trade. LLDC are therefore trapped in low-level equilibrium income due to cost of trading which is very much higher than the world average.
3. Nearly all LLDC have low GDP per capita, while coastal economies generally have a relatively higher GDP per capita. Developed countries with coastal proximity therefore have a clear advantage in establishing competitive manufacturing export sectors, which in turn contributed significantly to the overall economic growth.
4. Transport cost in land locked countries equal to 50% higher than coastal countries. Freight cost of landlocked countries exceeded the freight costs of all countries in their respective continents by 6% to 11% points. While freight cost of developed countries equal 3.5% of the import value, for LLDC they are 3 times higher. West Africa, 20%, East Africa 14%, Latin America 14%. As a result, cost of consumer goods increases. Not only this, but the cost of production of other goods also inflates, when import materials are input for manufactured products.
5. In business, flexibility, speed, and reliability just-in-time production of management system is very important. But for many LLDC, inadequate infrastructure, poor transport organization and proliferation of government controls makes it difficult to guarantee timely delivery of goods, or to ensure reliability or flexibility in the supply of goods.
6. The fact that delays can occur outside the territorial boundaries of LLDC underlines the point that these countries acting alone would not be in a position to overcome the real obstacles. A UNESCAP study reveals that 50% of transport time is spent at border crossings between Kazakhstan and Europe. The overall time of 10 days to 20 days could be reduced by half. Border crossings in Europe ranges from 30 mins to 40 mins. In

South Africa, it varies from 4 hours to 26 hours on average. Converted to dollars, border crossing delays equal USD48 million /year in South Africa alone.

Delays at selected South African border posts

| Border post | Countries | Estimated delays (hours) |
|--------------------|----------------------|---------------------------------|
| Machipanda | Mozambique/zimbabwe | 24 |
| Zobue | Zimbabwe/Malawi | 24 |
| Mutare | Mozambique/Zimbabwe | 26 |
| Ressanno Garcia | S.Africa/mozambique | 6 |
| Namaacha | Swaziland/Mozambique | 4 |
| Beit-bridge | S.Africa/Zimbabwe | 36 |
| Chirundu | Zimbabwe/Zambia | 24 |
| Victoria falls | Zimbabwe/Zambia | 36 |
| Martins drift | S. Africa/Botswana | 6 |
| Kazungula | Botswana/Zambia | 24 |

7. Lack of territorial access to the sea, remoteness and isolation influences the ability of LLDC to attract FDI. The total FDI inflow into LLDC in 2001 was only USD5.5b or 3% of the total world flows. Also in 2001 the combined stock of FDI in LLDC was USD41.6b, less than 3% of the total stock in developing countries. There is inadequate trade and investments in LLDC.

What strategies should be in place to ensure the success of LLDCs?

The following 3 objectives are of significant interest to ensure the economic success of LLDCs.

A. Improving the transit transport system

- **Rail transit.** Inter railway agreements and arrangements should be reinstated, to promote movements of through trains, and to restart regular service.
- Adopt, implement, and promote common consignment, note-shared consignment.
- Harmonization of tariffs commodity-based tariffs are an obstacle to multimodal transport. Unit rates and through tariffs per container units would better serve the needs of customers.
- Combined liability of railways. LLDC and its neighbours should adopt regional agreements that establish uniform rules concerning the contracts for international shipments.
- Use of ICT (Information and communication technology) to create an integrated train operation management to improve train operation.

B. **Road transit.** Roads were built in the urban areas of LLDC, but in the rural areas they are scarce and grossly inadequate. What is needed is a commitment by the landlocked and transit developing countries to honour/implement the bilateral and regional agreements, especially in the following areas:

- Maintenance of infrastructure; including improvements of border crossing facilities.
- Reform of the public sector to include planning and maintenance units, road funds and equipment to enforce axle-load regulations.
- Strengthening of the international customs transit information systems for effective and timely monitoring of the transit movements to reduce frauds, smuggling and corruptions.

- Harmonization of traffic regulations among affected territories, regional motor insurance schemes, harmonise transit charges and license procedures for the transport service sector.

C. **Inland Water Transport.** Inland water transport especially rivers have lost its share of the freight market due to physical, management and regulatory hiccups. To realize its potential, inland waters transport should,

1. Observe international principles related to free navigation.
2. Equal treatment.
3. Free transport and reciprocity.
4. Multilateral treatment of cargo reservations.
5. Rules for ship owners.
6. Transport/trade facilitation.
7. Provision of adequate port and navigational services.
8. Dispute settlement procedures.
9. Navigational safety.
10. Environmental protection.
11. Simplified and harmonized customs procedures.

- D. **Port facilities and services.** For many LLDC, delays at maritime port is due to late arrivals of documents (bills of lading), poor coordination among principal agents handling cargo at various stages (shipping agents, port authorities, customs forwarders) and inadequate take off capacity. What should be done?
1. Bills of lading. To use non-negotiable transport documents, preferably electronic alternatives.
 2. Improved communication among principal agents at ports. Advanced information about ship arrivals, cargo volume, would facilitate planning for cargo clearance and off-take transport arrangements.
 3. De-regulations. Removal of transport service restrictions would increase capacity and efficiency of off-take transport services.
- E. **Air freight.** LLDC have to develop their air freight services. All LLDC have at least 1 international airport used by international and regional carriers. Most of these airports have poor support services, such a cargo handling, storages, cold rooms, passenger terminals, modern documentation and security facilities, plus short runways for large planes.
- F. Improved transport facilities and support facilities. This includes:
1. **Dry ports.** A number of LLDCs have dry ports built with the support of international community. Dry ports are inland terminals where shipping companies issue their own import/export bills of lading for import/export of cargoes, assuming full responsibility for cost and conditions. Dry port promotes through transport concept. For LLDC, the concept envisages no internal examination of goods or containers, by customs at seaports. Facilities provided at dry ports include shipping line agents, railway goods services, road haulage brokerages, cargo packing and repackaging, storages, consignment consolidation, etc.
 2. **Border crossing points.** Long delays occur at the interface or trans-shipment points, namely between maritime and inland transport, between adjoining railway networks, and on both sides of national borders. Actions needed include:

Provide more border facilities and shared facilities as recommended in the International Convention on Harmonization of Frontier Control of Goods (1982) plus electricity and telecommunication facilities.

Improve inter agency coordination of border control services such as customs, immigration, police, and private sector operators (forwarders and transporters).

To use management information systems to link operators at the borders, and to establish communication between them and their headquarters.